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ABSTRACT

Fund-raising is one of the college or university governing board's most basic and important responsibilities: The annual fund is the platform from which all other fund-raising activities flow, and the board plays a key role in planning, implementing, and monitoring comprehensive campaigns, which are major efforts, focused on long-range financial priorities, that involve all institutional resources and constituencies. Successful fund-raising programs are varied, but share some principles: collaboration of the institution's president, board, and senior development staff members; participation of informed and willing trustees; and direct linkage of fund-raising to the institution's mission, goals, and priorities. Fund-raising in public institutions is frequently delegated to separately incorporated nonprofit foundations, but the governing board is ultimately responsible for establishing the working agreements defining the foundation's relationship to the host institution. The trustees must be both advocates and active participants in implementing policies and strategies, and all board members must demonstrate their commitment with individual gifts. Fund-raising responsibilities of board members should be made explicit in the trustee job description and orientation. The board's development committee is responsible for ensuring that the institution has an active, well-organized, and adequately budgeted fund-raising program. The committee on trustees helps recruit board members committed to the institution's development. (MSE)

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BOARD BASICS

THE FUNDAMENTALS

THE BOARD'S ROLE IN FUND-RAISING

BY RICHARD D. LEGON

HE 030 563

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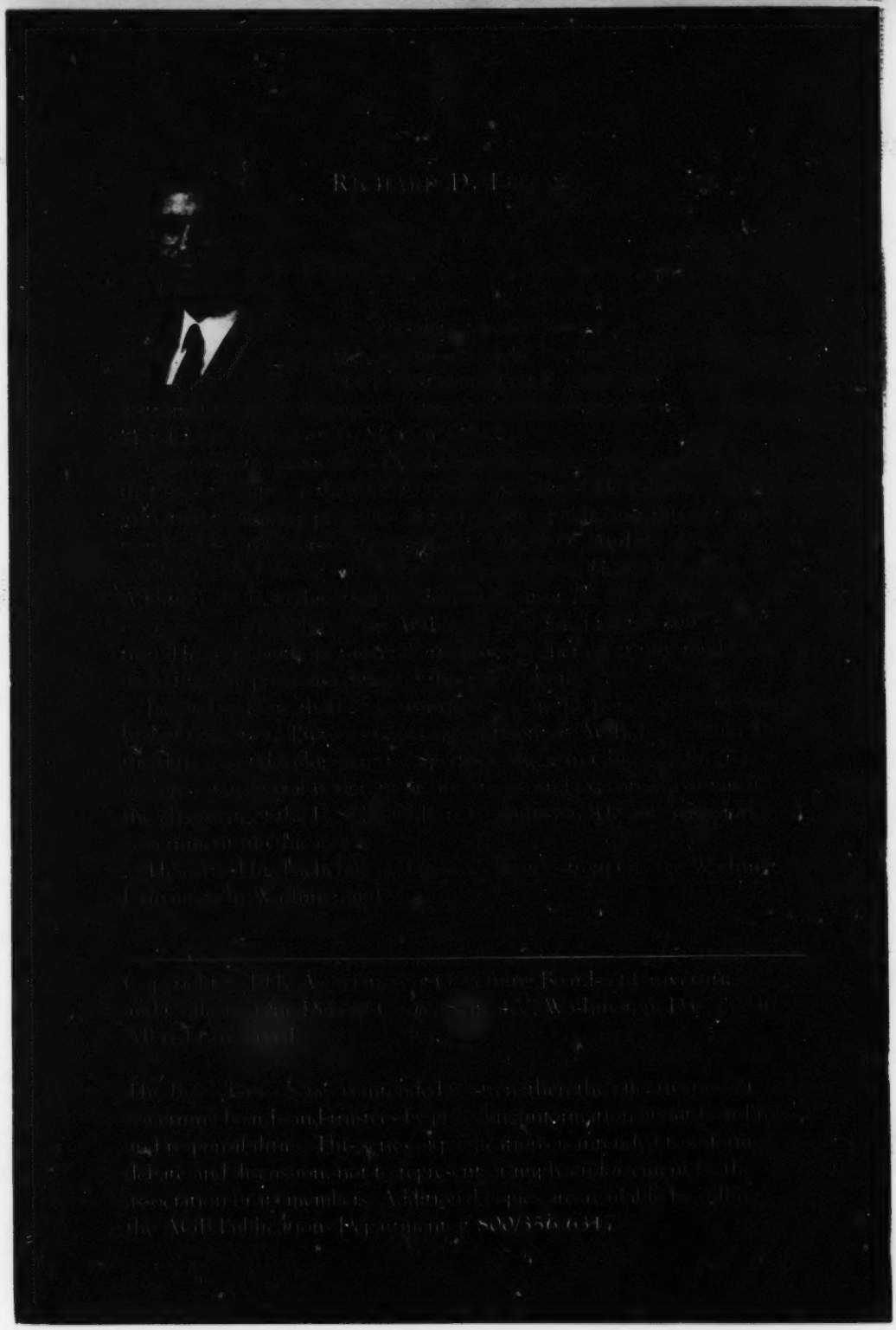

The Board's Role In Fund-Raising

Fund-raising is one of a board's most basic and important responsibilities. Virtually all higher education institutions seek private support, and virtually all institutional leaders call upon key volunteers—including members of governing boards, public institution foundation boards, and advisory councils in many institutions—to give generously and participate actively in fund-raising initiatives.

Fund-raising is pervasive throughout higher education, and as a result, it has gained stature and importance as an institutional function. Development offices are staffed by professionals trained in all aspects of fund-raising and institutional advancement—annual, endowment, and capital programs; major-gift initiatives; deferred and planned giving; alumni affairs; and public relations, media relations, and government affairs. Yet fund-raising remains more art than science, with few best practice techniques that can be applied uniformly to all institutions. Successful programs are as varied as the institutions that carry them out, yet they share these general principles:

1. For an institution to maximize its fund-raising potential, the key players—the president, the board, and senior members of the development staff—must understand their complementary roles and carry them out effectively. Fund-raising requires collaboration and teamwork.

2. Colleges and universities with successful fund-raising efforts are those whose trustees are informed about their institution and willing to be full partners in fund-raising initiatives.

SUCCESSFUL FUND-RAISING EFFORTS ARE LINKED DIRECTLY TO AN INSTITUTION'S MISSION, GOALS, AND PRIORITIES, WHICH ARE BASED MOST FREQUENTLY ON THE ELEMENTS OF A LONG-RANGE PLAN.

3. Successful fund-raising efforts are linked directly to an institution's mission, goals, and priorities, which are based most frequently on the elements of a long-range plan. Equally important, such links must be evident to donors in literature, during visits and calls, in correspondence, and other interactions. Regardless of whether a fund-raising effort supports short-term projects or longer range programs, donors must clearly understand how their gift advances the institution's mission.

Fund-raising once was the near exclusive domain of independent institutions. Today, however, most public institutional fund-raisers seek private funds to supplement existing state and local resources or to undertake special initiatives that require additional resources. Fund-raising in public colleges and universities frequently is delegated to separately incorporated nonprofit foundations, which are overseen by boards of directors. Nevertheless, the governing board ultimately is responsible for establishing the working agreements that help define the foundation's relationship to its host institution. Specifically, public institution governing board members must ensure that the institution's funding priorities are consistent with its mission and long-range plan, monitor fund-raising efforts, and participate in recognition and stewardship activities, including thanking donors for significant gifts, when appropriate. Further, they are responsible for establishing institutionwide criteria for "naming opportunities" for buildings, endowed scholarships, professorships, and the like. Today, public governing board members also must lead by example by providing personal gifts to their institution, as should public institution foundation directors. Public institution governing board members also can facilitate their institution's fund-raising initiatives by establishing and maintaining productive associations with state legislators and other public officials who are responsible for setting and overseeing higher education budgets.

Collaboration and communication between the governing board and the foundation board are key to successful fund-raising at public institutions. Some institutions permit a limited number of members to belong to both boards. This can facilitate effective partnerships and communication with external constituents.

As greater numbers of higher education institutions become increasingly involved in fund-raising, it is incumbent on *all* board members and volunteers to reach out to their institution's natural constituencies—alumni, parents, the institution's friends, and nearby corporations and foundations. Additionally, college and university fund-raisers have much to gain by cultivating affiliations and relationships with individuals, corporations, or foundations not naturally allied with the institution. The investment of time, effort, energy, and resources fund-raisers make in acquiring new donors—creating ongoing relationships that lead to the flow of giving—is especially important for converting "suspects" to prospects to donors to repeat donors to planned givers.

The Board's Role

The governing board leads by example in all areas of its responsibilities—fund-raising most notably. Other volunteer groups (alumni, advisory councils, and the like) look to the board to set the standards for commitment and advocacy. Professional development staff, too, often take their cue from the board and the degree to which trustees are involved in fund-raising activities.

In many areas of an institution's operation, boards are rightfully cautioned against stepping over the line that separates *setting* policy from *implementing* policy. However, fund-raising is somewhat atypical of other board responsibilities. Boards must be directly engaged in the fund-raising effort. "Fund-raising is the one major activity in which trustees step beyond their policy and oversight roles and become active players," fund-raising and governance expert John W. Pocock wrote in *Fund-Raising Leadership* (AGB, 1989). Board members are responsible for being active players in three fundamental areas: as advocates, as participants, and as donors.

TRUSTEES AS ADVOCATES. Trustees must have a working understanding of their institution—its history, mission, priorities, needs, and values. Equally important, informed trustees must be willing to interpret their institution's needs and values for a wide range of current and potential donors, including the trustee's circle of professional and personal associates. Minus this involvement, few institutions can be fully successful in their fund-raising efforts.

Involved and well-informed board members who engage their colleagues in discussions about the institution's goals and priorities provide spirit and enthusiasm for a fund-raising effort that inevitably attracts similarly enthusiastic advocates for the institution, who often then remain committed to the institution for many years.

TRUSTEES AS ACTIVE PARTICIPANTS. Governing boards of independent institutions are more directly involved in fund-raising than their fellow governing board members who serve public institutions. However, governing board members and public institution foundation board directors share many responsibilities associated with fund-raising. They include the following:

- *Call for planning.* Fund-raising is not a stand-alone program. It must be based upon prior judgments and specific institutional plans. The board should help to shape, approve, and monitor the institution's long-range plan and priorities. The board should be a full partner in setting an institution's direction.

- *Establish the fund-raising program's legitimacy.* An institution's internal and external constituencies must clearly understand the need for the fund-raising effort. Governing and foundation board members play a primary role in conveying to external constituencies—who are more open to hearing the "case" from their peers—the link between the fund-raising program and the advancement of the institution's mission.

- *Ensure an adequate budget.* The chief executive and senior administrators develop and present the institution's budget; the board must ensure that it contains sufficient resources to adequately fund ongoing development and advancement activities as well as periodic comprehensive campaigns. An appropriate financial commitment to fund-raising underscores the institution's serious intent and often can prompt greater board participation.

- *Identify prospects.* The prospective donor pool must be expanded continually, and the full board must actively participate in doing so. All board members should provide names of individuals who might provide support for the institution. When this responsibility is left solely to the development staff and the board's development committee, the institution may miss opportunities to reach the greatest number of individuals who can provide major gifts.

BOARD MEMBERS SHOULD FOCUS ON CULTIVATING PROSPECTS WHO ARE ABLE TO MAKE MAJOR GIFTS TO THE INSTITUTION.

- *Cultivate prospects.* Board members should focus on cultivating prospects who are able to make major gifts to the institution. Potential donors want to talk with those responsible for the future of the institution—the board members. In such discussions, board members are able to champion the institution and describe how its fund-raising goals will benefit the community. Inviting prospects to special campus events often is an effective introduction to the institution. Additionally, trustees can host social events to acquaint institutional leaders with potential donors.

- *Solicit gifts.* Similarly, trustees or foundation directors should focus their solicitation efforts on prospects who are able to make major gifts as well. Some experts estimate that 90 percent of support comes from about 10 percent of all donors; others suggest that 95 percent of support comes from about 5 percent of donors. Regardless of the precise statistic, it is clear that volunteers should concentrate their efforts where their involvement can make a significant impact.

Trustees typically help solicit gifts by accompanying the chief executive and senior staff officers on fund-raising calls, writing or lending their signatures to correspondence, and in other direct ways. However, some trustees find direct interaction with donors difficult, at least initially. In such instances, the chief executive, board chair, and chair of the development committee might ask such trustees to participate in other ways, including providing letters of introduction for others or actively participating in the "quiet phase" of a major campaign. However, all trustees should be open to the experience of soliciting a gift, especially if a prospect is likely to respond positively.

Contrary to a commonly held perception, fund-raising—when properly planned and carried out—can be a personally satisfying experience. Individuals who give are motivated by many appeals—the institution's needs, the social imperative of philanthropy, economic and tax advantages, emotional allegiances, rational inquiry, and persuasive communication. If the development staff has conducted adequate prospect research, then the "ask" can be among the most pleasant of experiences. In such cases, many prospects feel honored by being asked to give. The axiom that "people give to people" certainly applies to fund-raising for colleges and universities. Indeed, trustees who help carry out a successful solicitation are able to experience the rewards of helping their institution reach lofty goals, fulfill an ambitious agenda, and attain a vision that they themselves helped shape and clarify.

- *Thank donors.* All good board members (from independent *and* public institutions) should extend their gratitude on behalf of the board and institution to the individuals, corporations, and foundations that provide a certain level of support. Thanking a donor is an important component of the ongoing process of cultivating prospects and is the first step toward soliciting that donor's next gift.

- *Stewardship.* Although fund-raising leaders always hope that donors will respond to the priorities identified during the process of cultivation and solicitation, donors sometimes identify their own priorities. In such instances, institutional leaders must designate and use the gift in strict accordance with the donor's wishes—as long as the wishes are consistent with the institution's priorities and gift-acceptance policies. As part of their overall role in the stewardship of the institution, the board must ensure the integrity of gifts to the institution.

- *Evaluate the fund-raising leadership of the chief executive.* In practice, the institution's president should be its "chief advancement officer." The president is responsible for presenting an initial fund-raising plan to the board, seeing that the fund-raising program is staffed adequately by able professionals, ensuring that appropriate fund-raising research has been conducted and is available to the board, and providing board members with the background and support materials they need to be effective advocates. And in most cases, the president participates in soliciting major donors.

TRUSTEES AS DONORS. All board members must demonstrate their commitment to the institution by making individual gifts. Trustee giving is important for three overarching reasons.

1. The trustee's personal gift to the institution is evidence of his or her faith in the institution. If a trustee gives reluctantly or declines to make a gift, one might legitimately ask if the trustee truly has the best interests of the institution in mind and can be an effective advocate on behalf of the institution.

2. Before some donors will commit a gift to an institution, they want to know if the board is fully behind a fund-raising initiative and has demonstrated its own support with 100 percent participation. When the answer is Yes, the prospect is likely to receive the "ask" more favorably. When the answer is No, an institution's ability to raise funds is jeopardized, not just for a single ask but for the life of a fund-raising program. Public institution foundation directors, as well as public institution governing board members of single-campus institutions and systems, also should be prepared to support a fund-raising effort with 100 percent participation.

3. Trustees must recognize that they are their institution's most visible and natural donor constituency. Although individual board members should be encouraged to make gifts commensurate with their resources and responsibilities, all board members should give something, however modest.

Unfortunately, many institutional leaders err by not affording trustees the attention they deserve as major donors. For any fund-raising program—regardless of its duration, focus, or target goals—the board chair, president, development committee chair, and chief development officer should develop a plan to solicit gifts from trustees modeled on their plan for approaching any other major donor. Is the right person making the ask of the particular board member? Does the ask take into account the trustee's individual interests and personal circumstances? Is the trustee given adequate giving options?

In addition, the board should receive quarterly fund-raising reports that include information on trustee giving in the aggregate with comparative data for the same period during the preceding year.

THE DEVELOPMENT COMMITTEE SHOULD HAVE AMONG ITS MEMBERS BOARD LEADERS AND OTHERS WHO ARE EFFECTIVE ADVOCATES—INDIVIDUALS OF AFFLUENCE AND STATURE WHO CAN PERSUADE OTHERS TO HELP.

Effective Board Structures

Prior to joining a board, all trustees must understand that they are expected to make a personal gift to the institution and ask others to do so. Frank and open discussions among the president, board chair, and prospective board members can prevent future embarrassment. A job description for board members can be helpful in presenting and clarifying a board member's responsibilities, including fund-raising. Failure to communicate the expectations and obligations of trusteeship, including candor with regard to fund-raising, will only create problems later.

A carefully planned and comprehensive orientation program for new board members can go a long way in creating a knowledgeable and committed board that is willing to advocate for the institution during a fund-raising effort. Board leaders and the members of the committee on

trustees or the nominating committee must ensure that an effective orientation program for new board members is in place and implemented. Additionally, they should review the program periodically to ensure it remains current with board changes and institutional developments. Board self-assessment programs and periodic retreats also serve as useful reminders of trustees' fund-raising obligations.

Further, the structure of a governing board or public institution foundation board can significantly affect the institution's ability to conduct successful fund-raising efforts. Key standing committees should be affirmed in concise and flexible bylaws. The two committees that have the greatest impact on fund-raising are the development committee and the committee on trustees.

The Development Committee

The development committee is responsible for ensuring that the institution has an active, well-organized, and adequately budgeted fund-raising program. Foundation boards also should maintain a separate development or advancement committee. The development committee should have among its members board leaders and others who are effective advocates—individuals of affluence and stature who can persuade others to help. The committee's specific responsibilities include the following:

- ensuring the institution's fund-raising program is aligned with its mission and planning priorities as approved by the governing board,
- developing fund-raising and gift-acceptance policies,
- encouraging all board members to participate in fund-raising programs,
- identifying prospects and monitoring prospect solicitation efforts,
- monitoring the institution's overall development program, and
- setting goals for board members' giving and soliciting board gifts.

The committee chair should preside at regularly scheduled committee meetings, guided by an agenda and background materials that enable committee members to evaluate the status of the fund-raising program, discuss new opportunities for support, and consider new or shifting priorities and how they might attract support for the institution.

The Committee on Trustees

This committee is among a board's most important. When it is effectively assembled, it can be invaluable in building and strengthening an entire board to meet cyclical or long-range challenges. Its members should be among the board's most respected individuals—people who exemplify and reflect the overall image the institution wishes the board to project.

Committee members must be mindful of the need to balance board composition with members who bring special expertise to the boardroom and who reflect institutional diversity. Public institution foundation boards are most successful when they include members who have a commitment to the fund-raising role; however, independent institution governing boards need not be populated exclusively with persons of such talent or wealth. Although every board requires a cadre of such individuals, other areas of knowledge (financial and legal expertise, for example) also are important to the board.

The committee's major responsibilities include the following:

- determining the board's current and ideal composition,
- identifying, cultivating, and enlisting board candidates with an ultimate goal of attaining the ideal composition,
- ensuring that an effective orientation program is in place and implemented and places some emphasis on the fund-raising role, and
- assessing board member and board officer performance.

In addition to the staff support the committee receives from a senior administrator, members should welcome input from the institution's chief development officer.

TYPICAL GIVERS TO AN ANNUAL FUND INCLUDE ALUMNI, FRIENDS OF THE UNIVERSITY, TRUSTEES, PARENTS, FACULTY AND STAFF, CORPORATIONS, AND PRIVATE FOUNDATIONS.

Annual Fund

An annual fund serves as a platform from which all other fund-raising activities begin. Its purpose is to raise funds to support an institution's operating needs. In the process, it also serves to introduce the institution to a broader community, increases the potential donor base, trains future volunteer leaders, and provides seasoning for the development or advancement staff as they gain experience and knowledge to carry out a formal comprehensive campaign or a significant effort to cultivate major donors.

Typical givers to an annual fund include alumni, friends of the university, trustees, parents, faculty and staff, corporations, and private foundations. Additionally, some colleges and universities have started a class gift program to permit students (usually seniors) to give to their institution.

The Comprehensive Campaign

The comprehensive campaign—the term now used by many fund-raisers to define "capital campaign" more broadly and strategically—is a major effort lasting three to five years (sometimes longer) that involves all institutional resources and constituencies and focuses on the long-range financial priorities of the institution, including operating, capital, endowment, and technology needs. The board, through its active leadership and advocacy, plays a key role in planning, implementing, and monitoring this important effort.

As in the ongoing development and advancement activities, the board must ensure an adequate campaign budget is in place to allow for enhanced staff, equipment, travel, and research needs. The focus is on major gifts.

A feasibility study, often conducted by an outside consultant, can be useful in setting a realistic campaign goal. About 65 percent to 70 percent of a campaign's total goal should come from the top 100 gifts—20 percent to 40 percent of which is contributed and/or raised by the board.

The "quiet period"—the time prior to a campaign's public announcement—allows an institution to determine whether the initial campaign goal is achievable. As a rule, boards should be responsible for about 40 percent of the "quiet period" total.

The campaign provides an opportunity for a diverse range of volunteers to participate in the life of the institution. The board's active leadership must be supplemented by other distinguished individuals who may be invited to serve on a variety of committees that are necessary to ensure success.

It is common for institutions to continue their annual-fund efforts during a comprehensive campaign, thus merging the two drives into one overall campaign. Often, the full-scale effort required of a comprehensive campaign can help increase giving for more routine or ongoing fund-raising efforts.

The Case Statement

The case statement presents the purpose, scope, and rationale for a major fund-raising initiative or campaign. As such, it is the initiative's most important document. It answers, among other questions, "What is the campaign for?" and "Why should I give?" The case statement is an important advocacy document with which the board and its members must become familiar.

In addition to presenting a compelling case for giving, the case statement serves as a written reminder of fund-raising issues and priorities for those who carry out the effort. A well-crafted case statement can serve as a comprehensive sales tool for the entire development program.

The case statement should be compiled by the development staff, but board members, faculty, senior administrators, alumni, and even community leaders may have good ideas and fresh perspectives to contribute. The president should play a central role in reviewing and approving the final document. Additionally, the president and the chief development officer should ensure that all board members understand the case statement's content and direction so they can use it effectively as they carry out their own fund-raising roles.

Conclusion

Governing boards for both public and independent institutions and foundation boards of public institutions have the primary responsibility for ensuring adequate *private* resources for their institutions. (Of course, state governments primarily are responsible for ensuring adequate *public* funds for public higher education.) Boards as entities and trustees as individuals must participate in fund-raising and advancement efforts. Board members who are effective fund-raisers share the following characteristics:

- a natural relationship and/or commitment to the institution,
- a willingness to contribute,
- a willingness to "make the ask" and so persuade others to give,
- enough interest in the institution to be willing to ask difficult questions and ensure that staff members carry out their administrative responsibilities,
- a sense of passion about the institution and its mission and a willingness to become advocates on its behalf, and
- a thorough knowledge of the institution, including its past and present, its traditions and values, and its future.

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This publication is part of **Board Basics**, an AGB series devoted to strengthening the effectiveness of governing boards and trustees. Board Basics comprises several topic clusters—The Fundamentals, Financial Matters, Fund-Raising, Academic Affairs, Leadership, Strategic Decision Making, and Effective Committees—each of which contains several booklets. Several assumptions underlie the series:

- Academic trusteeship grows increasingly ambiguous, and trustees need concise, accessible, and focused information to help them carry out their complex fiduciary and stewardship responsibilities.
- Basic principles of trusteeship remain constant across higher education, regardless of institutional type, size, and mission. The series highlights these general principles to provide trustees with a core of knowledge they can apply to their individual institutions.
- The series addresses the distinguishing characteristics of academic trusteeship, especially as it differs in scope, substance, and focus from corporate directorships and other board service.

AGB and the authors welcome comments and suggestions to improve this publication and others in the series. Call AGB publications at 800/356-6317 or visit our Web site at http://www.agb.org for more information.

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